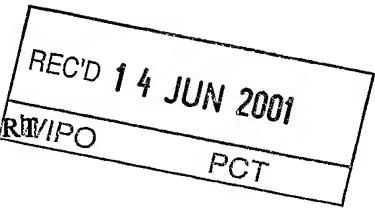


PATENT COOPERATION TREATY

PCT

INTERNATIONAL PRELIMINARY EXAMINATION REPORT

(PCT Article 36 and Rule 70)



Applicant's or agent's file reference 10269/1	FOR FURTHER ACTION See Notification of Transmittal of International Preliminary Examination Report (Form PCT/IPEA/416)	
International application No. PCT/US99/25793	International filing date (day/month/year) 02 NOVEMBER 1999	Priority date (day/month/year) 02 NOVEMBER 1998
International Patent Classification (IPC) or national classification and IPC IPC(7): G06F 17/60 and US Cl.: 705/37		
Applicant HSX, INC.		

1. This international preliminary examination report has been prepared by this International Preliminary Examining Authority and is transmitted to the applicant according to Article 36.
2. This REPORT consists of a total of 4 sheets.

This report is also accompanied by ANNEXES, i.e., sheets of the description, claims and/or drawings which have been amended and are the basis for this report and/or sheets containing rectifications made before this Authority. (see Rule 70.16 and Section 607 of the Administrative Instructions under the PCT).

These annexes consist of a total of 0 sheets.
3. This report contains indications relating to the following items:
 - I Basis of the report
 - II Priority
 - III Non-establishment of report with regard to novelty, inventive step or industrial applicability
 - IV Lack of unity of invention
 - V Reasoned statement under Article 35(2) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement
 - VI Certain documents cited
 - VII Certain defects in the international application
 - VIII Certain observations on the international application

Date of submission of the demand 26 MAY 2000	Date of completion of this report 17 MAY 2001
Name and mailing address of the IPEA/US Commissioner of Patents and Trademarks Box PCT Washington, D.C. 20231	Authorized officer <i>Peggy Harrod</i> Tariq Hafiz
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INTERNATIONAL PRELIMINARY EXAMINATION REPORT

International application No.

PCT/US99/25793

I. Basis of the report**1. With regard to the elements of the international application:*** the international application as originally filed the description:pages 1-34, as originally filedpages NONE, filed with the demandpages NONE, filed with the letter of _____ the claims:pages 35-37, as originally filedpages NONE, as amended (together with any statement) under Article 19pages NONE, filed with the demandpages NONE, filed with the letter of _____ the drawings:pages 1-21, as originally filedpages NONE, filed with the demandpages NONE, filed with the letter of _____ the sequence listing part of the description:pages NONE, as originally filedpages NONE, filed with the demandpages NONE, filed with the letter of _____**2. With regard to the language, all the elements marked above were available or furnished to this Authority in the language in which the international application was filed, unless otherwise indicated under this item.**

These elements were available or furnished to this Authority in the following language _____ which is:

 the language of a translation furnished for the purposes of international search (under Rule 23.1(b)). the language of publication of the international application (under Rule 48.3(b)). the language of the translation furnished for the purposes of international preliminary examination (under Rules 55.2 and/or 55.3).**3. With regard to any nucleotide and/or amino acid sequence disclosed in the international application, the international preliminary examination was carried out on the basis of the sequence listing:** contained in the international application in printed form. filed together with the international application in computer readable form. furnished subsequently to this Authority in written form. furnished subsequently to this Authority in computer readable form. The statement that the subsequently furnished written sequence listing does not go beyond the disclosure in the international application as filed has been furnished. The statement that the information recorded in computer readable form is identical to the written sequence listing has been furnished.**4. The amendments have resulted in the cancellation of:** the description, pages NONE the claims, Nos. NONE the drawings, sheets/fig. NONE**5. This report has been drawn as if (some of) the amendments had not been made, since they have been considered to go beyond the disclosure as filed, as indicated in the Supplemental Box (Rule 70.2(c)).****

* Replacement sheets which have been furnished to the receiving Office in response to an invitation under Article 14 are referred to in this report as "originally filed" and are not annexed to this report since they do not contain amendments (Rules 70.16 and 70.17).

**Any replacement sheet containing such amendments must be referred to under item 1 and annexed to this report.

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V. Reasoned statement under Article 35(2) with regard to novelty, inventive step or industrial applicability; citations and explanations supporting such statement**1. statement**

Novelty (N)	Claims <u>NONE</u>	YES
	Claims <u>1,8,9,13,14 ,15</u>	NO
Inventive Step (IS)	Claims <u>NONE</u>	YES
	Claims <u>2-7,10-12,</u>	NO
Industrial Applicability (IA)	Claims <u>1-15</u>	YES
	Claims <u>NONE</u>	NO

2. citations and explanations (Rule 70.7)

Claims 1, 8, 9, 13 and 15 lack novelty under PCT Article 33(2) as being anticipated by Braddock, III (US Patent 4,412,287).

As per claims 1 ,8 , 9, 13, 14, and 15, Braddock, III discloses:

measuring/means for measuring an imbalance.../computing a plurality of buy/sell imbalances...computing/means for computing a projected price movement.../computing matching projected price movements...setting/means for setting a market price.../setting market prices...automatically generating/means for automatically generating.../wherein the additional buy orders or sell orders for the instrument are automatically generated at the market price if the projected price movement is grater than or equals...(Col. 7, lines 13-36);

generating/means for generating an electronic currency...crediting/means for crediting a first trader's account...debiting a second trader's...(Col. 6, lines 37-47).

Claims 2, 3, 10, and 11 lack an inventive step under PCT Article 33(3) as being obvious over Braddock, III (US Patent 4,412,287) in view of Perg, et al. (US Patent 5,237,500).

As per claims 2, 3, 10, 11, Braddock, III fails to teach the following, however Perg, et al discloses:

wherein the electronic currency is Hollywood dollars...further comprising exchanging/means for exchanging the Hollywood dollars in the first or second trader's account for desired currency...(Col. 1, lines 14-19, where the examiner is interpreting "Hollywood dollars" as the "constant dollar financial instrument")

It would have been obvious to one of ordinary skill in the art to exchange the Hollywood dollars in the first or second trader's account for a desired currency because if an exchange occurs using the wrong type of currency, then the exchange would have no real value.

(Continued on Supplemental Sheet.)

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Supplemental Box

(To be used when the space in any of the preceding boxes is not sufficient)

Continuation of: Boxes I - VIII

Sheet 10

V. 2. REASoNED STATEMENTS - CITATIONS AND EXPLANATIONS (Continued):

Claims 4-7 and 12 lack an inventive step under PCT Article 33(3) as being obvious over the prior art as applied in the immediately preceding paragraph and further in view of Stein et al., (US Patent 5,826,241).

As per claims 4-7 and 12, neither Braddock, III or Perg, et al teach the following, however Stein, et al discloses:
exchanged...via a secured communication.../purchasing/means for purchasing goods or services...on the Internet.../wherein a request for the purchase is transmitted to the vendor's web site via a secured communication.../wherein the vendor debits the first or second trader's account in the Hollywood dollars...via a secured communication...(Col. 9, lines 49-54).

Stein, et al does not specifically state that the exchange is done on a web site, however he does disclose that the exchange is done on the Internet making it obvious to use a web site to implement the operation. It would have been obvious to one of ordinary skill in the art to request an exchange, to purchase goods, to request a purchase, and to debit accounts through a web site on the Internet via a secured communication because when executing financial transactions on the Internet, these are the most traditional tools used in Internet technology for making the most logical, safest purchases with the lowest risk factors.

----- NEW CITATIONS -----

NONE